

109TH CONGRESS
1ST SESSION

S. 1347

To authorize demonstration project grants to entities to provide low-cost, small loans.

IN THE SENATE OF THE UNITED STATES

JUNE 30, 2005

Mr. AKAKA introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

A BILL

To authorize demonstration project grants to entities to provide low-cost, small loans.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. GRANT PROGRAM FOR LOW-COST ALTER-**
4 **NATIVES TO PAYDAY LOANS.**

5 (a) SHORT TITLE.—This section may be cited as the
6 “Low-Cost Alternatives to Payday Loans Act”.

7 (b) DEFINITIONS.—In this Act:

8 (1) COMMUNITY DEVELOPMENT FINANCIAL IN-
9 STITUTION.—The term “community development fi-
10 nancial institution” means any organization that has

1 been certified as a community development financial
 2 institution pursuant to section 1805.201 of title 12,
 3 Code of Federal Regulations.

4 (2) FEDERALLY INSURED DEPOSITORY INSTI-
 5 TUTION.—The term “federally insured depository in-
 6 stitution” means any insured depository institution
 7 (as defined in section 3 of the Federal Deposit In-
 8 surance Act (12 U.S.C. 1813)) or any insured credit
 9 union (as defined in section 101 of the Federal
 10 Credit Union Act (12 U.S.C. 1752)).

11 (3) PAYDAY LOAN.—The term “payday loan”
 12 means any transaction in which a small cash ad-
 13 vance is made to a consumer in exchange for—

14 (A) the personal check or share draft of
 15 the consumer, in the amount of the advance
 16 plus a fee, where presentment or negotiation of
 17 such check or share draft is deferred by agree-
 18 ment of the parties until a designated future
 19 date; or

20 (B) the authorization of the consumer to
 21 debit the transaction account or share draft ac-
 22 count of the consumer, in the amount of the ad-
 23 vance plus a fee, where such account will be
 24 debited on or after a designated future date.

1 (c) ESTABLISHMENT OF PROGRAM.—The Secretary
 2 of the Treasury (referred to in this Act as the “Sec-
 3 retary”) is authorized to award demonstration project
 4 grants (including multi-year grants) to eligible entities to
 5 provide low-cost, small loans to consumers that will pro-
 6 vide alternatives to more costly, predatory payday loans.

7 (d) ELIGIBLE ENTITIES.—An entity is eligible to re-
 8 ceive a grant under this Act if such an entity is—

9 (1) an organization described in section
 10 501(c)(3) of the Internal Revenue Code of 1986 and
 11 exempt from tax under section 501(a) of such Code;

12 (2) a federally insured depository institution;

13 (3) a community development financial institu-
 14 tion; or

15 (4) a partnership comprised of 1 or more of the
 16 entities described in paragraphs (1) through (3).

17 (e) APPLICATION.—An eligible entity desiring a grant
 18 under this Act shall submit an application to the Secretary
 19 in such form and containing such information as the Sec-
 20 retary may require.

21 (f) TERMS AND CONDITIONS.—

22 (1) PERCENTAGE RATE.—For purposes of this
 23 Act, an eligible entity that is a federally insured de-
 24 pository institution shall be subject to the annual
 25 percentage rate promulgated by the National Credit

1 Union Administration's Loan Interest Rates under
2 part 701 of title 12, Code of Federal Regulations in
3 connection with a loan provided to a consumer pur-
4 suant to this Act.

5 (2) FINANCIAL LITERACY AND EDUCATION OP-
6 PORTUNITIES.—Each eligible entity awarded a grant
7 under this Act shall offer financial literacy and edu-
8 cation opportunities, such as relevant counseling
9 services or educational courses, to each consumer
10 provided with a loan pursuant to this Act.

11 (g) LIMITATION ON ADMINISTRATIVE COSTS.—Each
12 eligible entity awarded a grant under this Act may use
13 not more than 6 percent of the total amount of such grant
14 in any fiscal year for the administrative costs of carrying
15 out the programs funded by such grant in such fiscal year.

16 (h) EVALUATION AND REPORT.—For each fiscal year
17 in which a grant is awarded under this Act, the Secretary
18 shall submit a report to Congress containing a description
19 of the activities funded, amounts distributed, and measur-
20 able results, as appropriate and available.

21 (i) REGULATIONS.—The Secretary is authorized to
22 promulgate regulations to implement and administer the
23 grant program under this Act.

24 (j) AUTHORIZATION OF APPROPRIATIONS.—There is
25 authorized to be appropriated to the Secretary, for the

- 1 grant program described in this Act, such sums as may
- 2 be necessary, which shall remain available until expended.

